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ECONOMIC ASPECTS OF PEACEFUL COEXISTENCE OF TWO
SOCIAL SYSTEMS

by

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Many different views on peaceful coexistence have been expressed in the world press and literature. But so far the economic aspects of the problem have not received sufficient consideration and at times they have been ignored altogether. Usually the authors have concentrated on the military, political and social aspects of the issue.

In this short paper I do not presume to give a profound economic analysis of this major problem of our time. I shall be satisfied, if I succeed, even in a small measure to draw the attention of this highly qualified audience to the imperative and urgent task which faces the nations of the Eastern and Western hemispheres.

At a time when science has placed at man's disposal, thermo-nuclear weapons and the ballistic rocket, I believe mankind has to choose either peaceful coexistence or an unprecedented, devastating war, whose lethal and destructive powers we hardly dare to imagine.

In the Soviet Union and in all countries of the Socialist system statesmen, scientists and public opinion as a whole are profoundly confident that under the present conditions a war which would entail inevitable disaster to mankind can and must be

averted: the development of science and of the means of destruction has reached now so high a level that war would be utter madness.

In our time peaceful coexistence is not only desirable from the point of view of elementary common sense, it is essential. That is why the idea of peaceful coexistence is becoming increasingly popular.

Hardly anyone will deny that the concept peaceful coexistence of states in its full and positive sense implies that these states co-operate in diverse fields and principally in the sphere of economics.

In what way can the two systems benefit from economic co-operation? Is it really necessary? Is it possible? What forms can it take?

Economic co-operation is undoubtedly possible and necessary. It is not only an essential part of the foundation on which the nations can build the edifice of true peaceful coexistence but it will also help to increase the rate of economic progress in the co-operating countries.

There is no need to prove that wherever mutually advantageous economic connections develop and become stronger, animosity and distrust vanish, the forces of war are driven back and replaced by friendly relations between the countries and the nations concerned.

Economic co-operation based on the recognition of the equality and sovereignty of all states, a co-operation which excludes any discrimination, strengthens mutual trust and confidence and promotes

peaceful international relations. This truth is so simple, clear and undeniable that many prominent people in the capitalist world ~~don't~~
~~now accept it in one form or another.~~

Permit me to quote as an example, Sir Winston Churchill. On February 25, 1954 addressing the House of Commons he said, "The more the two great divisions of the world mingle in the healthy and fertile activities of commerce the greater is the counterpoise to purely military calculations."

One can hardly conceive lasting peaceful coexistence without constructive economic co-operation. This co-operation can benefit both the socialist and the capitalist states.

International economic co-operation is based upon the natural division of labour evolved in the course of history. Diverse natural and historical conditions have caused specific industries to predominate in different countries. Different industrial habits have been formed. As a result, some countries find it more advantageous to produce, let us say, sugar or to go in for ship-building while others prefer to manufacture cars or textiles. The international division of labor and the branches of industry which happen to exist in different countries at present can of course change. The agrarian countries are developing their own industries and many states are adding new agricultural and industrial branches to those which have been established long ago. Nevertheless the international division of labour corresponding to the countries' natural resources, geographical and climatic conditions, historical traditions and industrial habits continues to offer practical advantages.

It would undoubtedly be a step forward if the economic restriction of certain areas were to be lifted and healthy economic relations would develop among all the countries in the world leading to greater intercourse among the nations and bringing them closer together.

In the views of Soviet economists no country has any cause to view with jealousy or hostility the progress of another country. On the contrary, it should encourage it since the development of any country, provided it is not taking place at the expense of other countries, contributes to the overall human progress and finally improves the living standards of all nations.

This is one of the basic principles of Soviet policy, and of the policy of all socialist countries. Soviet economists are in favour of large-scale economic co-operation among all the countries of the world irrespective of their social systems because they realize that economic co-operation raises the prosperity of all the participants, brings the countries closer together, helps to consolidate peace and thereby contributes to the general progress of mankind. In this connection I would like to remind you that early in 1956 the Soviet Government offered the United States to negotiate a treaty of friendship and co-operation. Last November N. A. Bulganin, Chairman of the Council of Ministers of the USSR, repeated this offer in his letter to President Eisenhower.

The Soviet Union, and to an ever greater extent the socialist system as a whole, possess the necessary resources for a successful development of their economy. The oil embargo which has been

practiced and which the main capitalist countries still practice to a certain degree has provided the incentive for the socialist states to exert great efforts and build at home industries which they would not have been developing on a great scale if normal international trade existed. Nobody can deny that today the socialist system is economically independent of the capitalist countries. Nevertheless, the Soviet economists are advocating strongly the development of international economic relations not only because this is expedient in general but also because it serves the interests of peace and world progress.

There was a time when certain people alleged that the reason for this attitude of the Soviet economists should be sought in the economic weakness of the Soviet Union which they maintained was not able to manage without the products of the capitalist states. I believe that today when the results of my country's economic and engineering progress can be seen with the naked eye even in the skies over the United States of America, no person with common sense will suspect that socialist science is guided by some selfish motive when it recommends broad economic co-operation of the two systems.

What indeed, do the facts and figures tell us?

At present the socialist countries include more than one-third of the population of the globe, approximately one-fourth of the population of the land surface, and they produce nearly one-third of the world output. And yet the goods bought from and sold to

these countries during the last few years form only 2.5 to 3% of the capitalist states exports and imports (according to the data published by the United Nations Organisation). These figures demonstrate what tremendous potentialities exist for a trade expansion between the countries of the two systems.

In accordance with the socialist countries' contribution to the world's industrial output or the size of their population the share of the countries of the socialist system in the international trade of the capitalist countries should reach approximately 25 per cent; in terms of dollars this would amount to scores of billions. Even if we assume that at the early stages of normal development of economic co-operation the share of the socialist countries in the international trade of the capitalist countries will only reach 10 or 15 per cent, already this would greatly increase the capitalist countries' volume of exports and lead to a very substantial expansion of world trade. Under the conditions of peaceful coexistence this is a completely realistic prospect.

If the Socialist countries share in the foreign trade of the capitalist states were to reach 10% this would merely restore the position existing before the outbreak of the Second World War. For at that time the foreign trade of the US, Great Britain, France, Germany, Italy and Japan with the countries that form now the Socialist system amounted to 10% and more of their total export-import volume.

What advantages can the capitalist countries gain from expanding their trade with the Socialist system?

I have already mentioned the overall beneficial influence of international economic co-operation upon international relations and the economic progress of the individual states.

In addition, it may be worth remembering that because of their system of planned economy there can be no economic crises in the socialist countries. Therefore they offer a stable market not subject to sudden cyclic changes. Considering the economic slumps in the capitalist world, socialist countries can be an important outlet for industrial and farming produce of the states suffering from temporary overproduction. In case of an economic crisis the guaranteed stable market provided by the countries of the socialist system can substantially improve the lot of the working class and the peasantry and also alleviate the difficulties of industrialists hit by the crisis.

This is not mere theory, it has been corroborated by experience. In 1930 and 1931 when world trade was swiftly shrinking the U. S. exports to the Soviet Union did not drop, but on the contrary increased in comparison to previous years. In 1926 they amounted to \$74 million, in 1930 to \$114 million, in 1931 to \$104 million. During these years the Soviet Union occupied the second and first place in American exports of industrial equipment. In 1931 world exports shrank by 42 per cent compared with 1929. In the same period Soviet imports increased by 26 per cent. In 1932 the Soviet Union absorbed almost 50 per cent of the world's machinery exports, not counting automobiles. A recent statement in the British press stressed that in the early thirties the British machine tool industry was saved by a flow of orders received from Soviet planned economy.

In case of normal trade contacts with the capitalist world the socialist market can be an important stabilizer not only during an economic crisis.

In the last years, war production has formed a substantial part of industrial output. The overwhelming majority of goods earmarked for military requirements is lost to normal reproduction. It is excluded from the economic turnover and is a waste so far as the economic life of the population is concerned. The greater the share taken up by war production in a given country, the greater the volume of material values that the population of that country loses. Some people believe that this loss is unavoidable and that under modern conditions the capitalist countries must have a large war industry since this results in the systematic destruction or removal of a part of the national output and thereby helps to avert the overproduction crisis.

An analysis of these concepts would take me outside the limits I set myself in this talk, but I would like to emphasize that it is obviously much more profitable for the capitalist countries to reduce war production radically and to expand at the same time trade with the socialist countries. In that case, the overall production would not decline but, on the contrary, it would continually grow because of the expanding export market. The material values would not be subject to destruction, and an appropriate return would be received for them; the output used in this way would improve the population living standards, and raise the countries' prosperity.

Spending a big portion of the national income on war production reduces in the final count the population's purchasing power, worsens the living standards and drains the country's wealth, because a part of the output is continuously squandered. Economists and statesmen in many Western countries, including Great Britain, agree that the present military burden is too heavy for their economy and that its reduction would contribute greatly to the solution of their economic difficulties. If normal conditions of economic co-operation were established between the two systems, world trade would grow rapidly, and with the recognition of the principle of peaceful coexistence would result in the disappearance of the disastrous economic phenomena which accompany the arms race. This is why Soviet economists are persistently suggesting that the slogan "Let us arm" should be replaced by the slogan "Let us develop economic co-operation."

Certain economists assert that East-West trade will remain small in any case because of the absence of favourable conditions for its growth. They allege that socialist countries try to satisfy all their requirements with their own resources and that on the other hand they can offer hardly any commodities which the capitalist states need.

In my opinion this is merely an attempt to justify the isolation in regard to trade with the socialist states which a number of capitalist countries have imposed upon themselves.

The fact that East-West trade has so far been very limited can by no means justify the assumption that this is something normal. The atmosphere of cold-war and animosity, of balancing on the brink of war and discrimination, is the main reason for the weak development of East-West economic relations. If we abolish this main impediment and create a favourable climate for economic co-operation it will certainly grow and flower for the benefit of all countries.

Even in present-day conditions, international trade is making headway though it has to overcome great obstacles blocking its path. The Soviet Union, for instance, is trading with more than 65 countries. While Soviet-U.S.A. trade has been very limited since 1949, the Soviet Union and many countries of the socialist system have considerably increased their commerce with Great Britain, France and the German Federal Republic. Exports from all West European countries to the countries of Eastern Europe (excluding the trade between East and West Germany) have doubled between 1950 and 1956 (they rose from \$643 million to \$1,317 million), imports have doubled as well (from \$801 million to \$1,628 million).

In addition, trade between the socialist countries and the Asian and African states has grown substantially. The overall trade between the socialist and capitalist world has increased in three years (1954 to 1956) from \$3.4 billion to \$5.2 billion. During this period trade between the Eastern countries and the West went up by 50% while the export-import operations between the Western states increased only by 20%. It is interesting to note that a considerable trade is maintained between the socialist countries and certain capitalist states. In 1955-1957 20-22 per cent of Turkey's exports went to socialist countries and 15-18 per cent of her imports were supplied by socialist countries.

However, the share of the capitalist countries in the trade of the Soviet Union, China and most of the other socialist countries amounts to less than 20 per cent. It is perfectly evident that in a different political climate where no discrimination is practiced the volume of trade between the socialist and capitalist system could be raised steeply.

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In particular it was the US repudiation of the trade agreement with the S.U. and its efforts to impose an embargo which led to the present extremely low level of Soviet-American trade. Under normal conditions we would buy in the USA a great variety of goods and we could offer other commodities in exchange which formerly the US had been importing from the USSR.

Constructive international economic co-operation is obviously not restricted to trade only. It is well known that the Soviet Government has proposed co-operation in the peaceful uses of atomic energy. This offers a vast field where Eastern and Western countries could work together. Or let us take the exchange of economic and technical experience, or such questions as the irrigation and development of large deserts, the construction of great canals, inter-planetary flights, and co-operation in advancing the economic progress of the under-developed countries.

Why should we not co-operate on a large-scale in all these fields? Why not expand a hundred-fold the joint activities of Eastern and Western countries in science and culture accelerating thereby the general economic advance, and ensuring humanity's rapid progress? Soviet people are proud of their scientists' achievements but at the same time they hold in high esteem the contributions made by the scientists of all countries to the store of world knowledge.

Cinema and art, medicine, education, and sport, writers, technicians and social workers, all the people of good will, all those who consider that it is their duty to prevent the atom century from becoming a century of terror and destruction, all those who strive to turn it into the century of prosperity for all the nations of the world can take part in business and cultural co-operation between the East and West.

It is true that many people in capitalist countries are still under the influence of the war psychosis and the cold war complex continues to affect their ideas and actions. There are individuals who do not think that economic contacts between nations could and should form the basis for good neighbour relations and a lasting peace, but who wish on the contrary, to utilize economic relations as a tool of war. In particular I have in mind a statement by Mr. Benjamin Fairless, President of the American Iron and Steel Institute, made in the New York on November 18 at the inauguration of the 44th National Foreign Trade Convention. He claimed that trade is a "Secret weapon" of the United States for winning the "cold war".

Press reports seem to indicate that the number of people who hold similar sentiments is dwindling rapidly while more and more statesmen and businessmen are inclined to believe that the development of economic co-operation will diminish international tension and that the cold war imprint should be removed from international economic relations. Characteristic of this point of view are the speeches delivered recently by financiers like Cyrus S. Eaton and P. M. Warburg. Already in 1955 Washington Post wrote, the overwhelming majority of the American people considers that trade would help to achieve a better and clearer understanding with Russia.

Emrys Hughes, Labour M. P. of Great Britain wrote: "Our aim should not merely be peaceful coexistence with the U.S.S.R. and China but positive and active co-operation in plans for raising the standard of human life throughout the world and directing the energy that we are now devoting to war preparations to developing the backward countries."

Soviet economists are confident that common sense will prevail when the question is decided whether peaceful coexistence is to be put into practice, and whether economic co-operation between the two social systems is to be developed and they believe that the nations will find the strength to promote fruitful economic co-operation and to establish a lasting peace.